



Foreign Agricultural Service

GAIN Report

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Peru

Asparagus

Annual

2002

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Report Highlights:

Asparagus production in Peru is expected to be 195,000 Metric Tons for MY 2002. Post forecasts a growth of five percent for MY2003 to 205,000 MT. Exports of processed asparagus reached 48,000 MT in 2001, while fresh exports were 42,000 MT. Asparagus growers continue concern about limited international demand contrasting with increasing supply with the consequent price fall

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Lima [PE1], PE

Executive Summary

Asparagus production in Peru is expected to reach 195,000 Metric Tons in 2002 and forecast to grow five percent to 205,000 MT in MY 2003. Accounting for 25 percent of total agricultural exports, asparagus has become the second largest Peruvian agricultural export after coffee. Asparagus exports contribute about \$150 million in export sales annually. Exports of processed asparagus reached 48,000 MT in 2001 while fresh exports were 42,000 MT.

This crop grows in the irrigated coastal valleys of Peru. There are two well-defined production areas. La Libertad, in the northern region of Peru, produces white asparagus, which is processed (canned or jarred) and exported to Europe. Ica, 300 kilometers south from Lima, produces green asparagus mainly for fresh export to the United States market. Arequipa, a thousand kilometers south of Lima, is also starting to develop production of this crop.

Asparagus growers are concerned about rapidly increasing supplies which has already resulted in sharply falling prices internationally.

PSD Table						
Country	Peru					
Commodity	Fresh Asparagus				(HA)(MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Area Planted	22000	22000	22000	22000	0	23000
Area Harvested	20000	20000	21000	21000	0	22000
TOTAL Production	180000	184000	189000	195000	0	205000
Imports, Fresh	0	0	0	0	0	0
TOTAL SUPPLY	180000	184000	189000	195000	0	205000
Exports, Fresh	35000	42000	40000	42000	0	45000
Domestic Fresh Market	6000	6000	6000	6000	0	6000
For Processing	139000	136000	143000	147000	0	154000
TOTAL UTILIZATION	180000	184000	189000	195000	0	205000

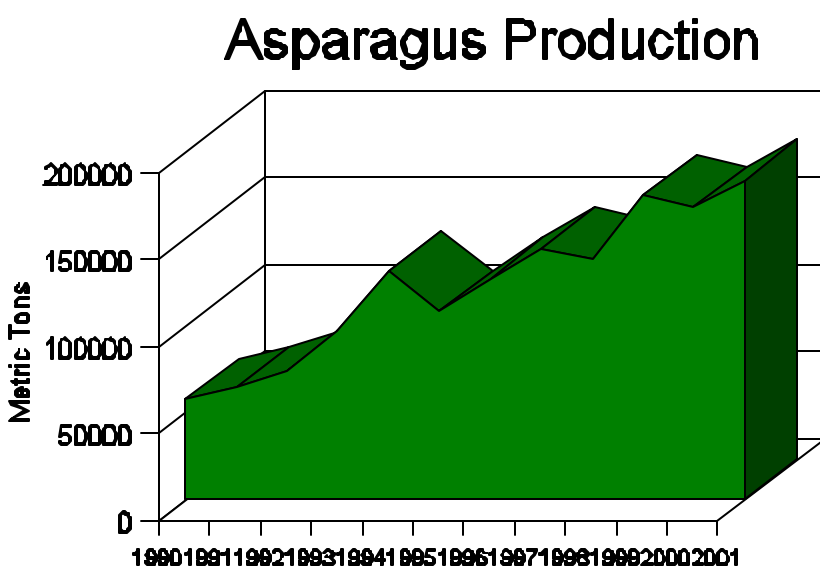
Export Trade Matrix			
Country	Peru		
Commodity	Fresh Asparagus		Processed Asparagus
Time period	2001		2001
Exports for:			
U.S.	33899	U.S.	626
Others			
Spain	2690	Spain	25866
Netherlands	2610	France	6480
UK	1631	Netherlands	2748
Total for Others	6931	Total for Others	35094
Others not Listed	1181	Others not Listed	12404
Grand Total	42011	Grand Total	48124

Units: Metric Tons

Production

Asparagus production in Peru is expected to increase six percent to 195,000 Metric Tons in 2002. In 2001 production increased 16,000 MT to 184,000. Industry officials agree that the asparagus international demand has reached a mature point, and its growth in the near future will not be as sharp as it was in the 1990s. Post forecasts 205,000 MT in 2003.

Peru is one of the few countries where high quality asparagus is produced year round, due to warm and favorable weather in which the asparagus plant does not enter a dormant stage. Peru produces asparagus for two different markets: green asparagus for the United States, and white asparagus for the European market. Green asparagus, which is about 40 percent of total production, is sent fresh to the U.S. packed in 5 kilogram boxes, while white asparagus is processed then exported in cans or jars to Europe.



Agriculture along Peru's coast, has been, and still is, changing. Though the new Land Law has not been implemented yet, the current land tenure is allowing more entrepreneurial activity, and it is attracting local and foreign investment. Though capital flow has been limited recently due to political unrest, fresh capital in the agricultural sector is looking to invest in an exportable product, and asparagus is a profitable crop with a fairly stable foreign demand.

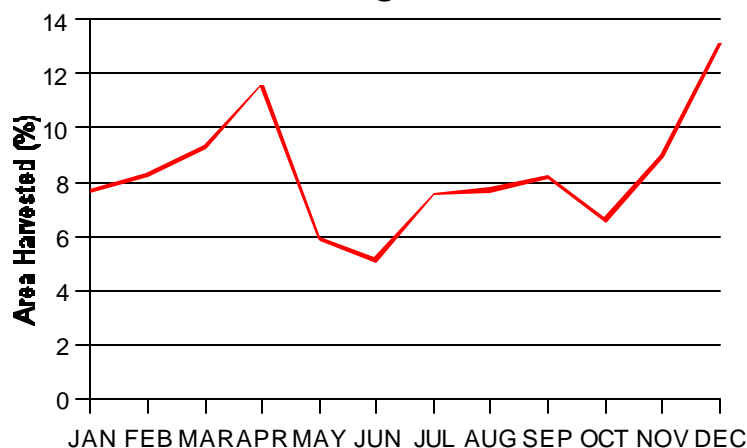
The privatization of some large sugar cooperatives has resulted in shifts of large tracts of land from sugar to asparagus production.

In an effort to increase production, some asparagus growers, especially in the northern areas, have been planting at a very high density. As a result they were harvesting more, but the asparagus came out thinner, without the proper quality for the market. A large proportion of this asparagus was rejected by the processing plants because it did not meet export quality standards, and as a result the processing plants were finding it increasingly difficult to buy sufficient good-quality asparagus.

Crop Area and Yields

Production area is estimated to be 22,000 hectares in 2002. Even though production and capital credits are unavailable or expensive, especially for the medium size and small producer, and production costs are rising, asparagus still is a profitable crop. Farmers in the coastal valleys of Peru are attracted to asparagus more than any other crop, because of the possibilities in the international market.

Harvesting Season



Average yields are around 6 tons per hectare, but can reach as high as 18 tons per hectare among some of the most efficient producers. Asparagus producers in the Ica region (south of Lima) are usually more efficient. Because surface water only flows from November to March, most producers have wells and drip irrigation systems, which make water available but expensive, due to the high local cost of fuel. Green asparagus production requires more water than white asparagus.

Trade

Processed asparagus exports reached 48,000 MT in 2001, and are expected to increase seven percent in 2002. Fresh asparagus exports were 42,000 MT in 2002.

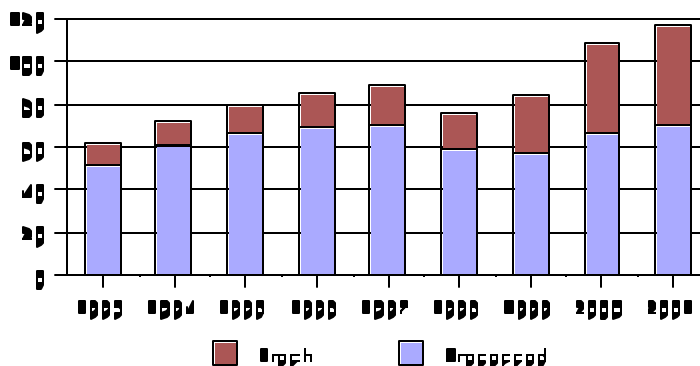
Accounting for about 25 percent of total agricultural exports, asparagus is Peru's second most important agricultural export. With 62 percent of exports in 2001, Spain continues to be Peru's most important processed asparagus buyer, followed by France, Germany, Netherlands and Denmark. The U.S. is the main market for fresh asparagus, accounting for about 82 percent of the market in 2001.

Most Peruvian exporters agree that the world asparagus market has reached a mature level, some even talk about a saturated market. Since asparagus supply in the U.S. has increased faster than demand, Peruvian exporters have seen a sharp reduction in prices. Ten years ago a 5-kilogram box of fresh asparagus sold for \$50 and now it barely reaches \$9.

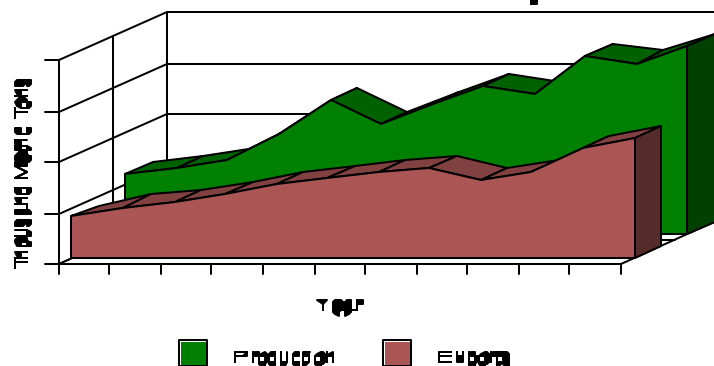
Chinese asparagus exports are a major source of worries for Peruvian asparagus producers. Ninety percent of Peruvian agricultural exports, including asparagus, enter duty free to the European Community. Despite the 16 percent import duty assessed to Chinese asparagus, it still is cheaper than Peruvian. Though China only affects the processed asparagus market, it has reduced asparagus prices in Europe sharply in the last two years.

Another hurdle that Peruvian exporters have to face is expensive freight. Historically air freight cost from Lima to Miami has been around \$0.85 per kilogram, current cost is \$1.25 per kilogram. The main reason for this increase is the lack of merchandise for the come-back freight. Currently, freight is up to 40 percent of the total cost of the landed price in the U.S.

Exports



Production vs. Export



In February 2002, APHIS declared that all fresh Peruvian asparagus needed to be fumigated against copitarsia. Peruvian producers have requested that the fumigation be done in Peru under a pre-clearance program established between the Peruvian SPS agency and APHIS. To date, this is under discussion but no decision yet made.

Policy

The Peruvian government has been very active to promote the signing, by the U.S. government, of an extension of the Andean Trade Preference Act (ATPA). ATPA grants duty free entrance to most agricultural products from Peru, including asparagus. Renewal of ATPA, including extending the tariff preferences for asparagus, is currently in Conference Committee. Nevertheless, since the ATPA ended in December 2001 and until the new ATPA is signed, Peruvian asparagus is assessed import tariffs as follows:

U.S. Import Duties for Peruvian Asparagus (f.o.b. basis)		
Fresh asparagus	From Set.15 to Nov. 15	5 percent
	Rest of the year	21.3 percent
Processed asparagus	Year round	14.9 percent

The GOP does not have an official policy to encourage asparagus production. Most of the GOP's effort is on the marketing side through "Prompex" (the export promotion committee). This rather new organization has been active and has had some success promoting agricultural exports. Prompex activities includes a commercial mission to the Produce Marketing Association (PMA) annually in the U.S. Producers have been satisfied with the outcome of this activity and have been able to contact new potential customers, especially supermarket chains.

Asparagus exporters are discussing among themselves a check-off system by which they would have to pay \$0.01 for each 5-kilogram box exported. This fund would be used to implement a marketing program which would include consumption promotion, phytosanitary protection, quality control certification and create an information system to supply producers with the latest developments on worldwide and national production and prices. Peruvian asparagus producers estimate that they need to invest at least \$1.75 million to promote their products. These negotiations have currently been put on hold until the new administration takes office.

In an effort to increase their marketing activity as well as improve relations with the government, asparagus producers

established the Peruvian Asparagus Institute (IPE) in 1998. IPE has been instrumental in the negotiations to extend ATPA. IPE's activities include market development, product promotion, product research and development and foreign technology transfer.